

Chicago Metropolis

One Region. One Future.

September 30, 2008

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Surface Transportation Board
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NORTHWEST MUNICIPAL

Mike/Chris
No mention
of STARR line?

Ref: STB Finance Docket No. 35087

Comments on the draft Environmental Impact Study on the Canadian National
Railway's proposed acquisition of the EJ&E Railway

Much of the debate over the proposed acquisition of the EJ&E Railway by the Canadian National has revolved around local impacts and who will pay to mitigate them, particularly the impacts of increased delay at grade crossings. This is important, but the Surface Transportation Board must consider more than that in determining whether this transaction is consistent with the public interest.

This discussion about local impacts has been encouraged by the STB, as reflected in its draft Environmental Impact Study that focuses solely on the direct impacts that can be anticipated if the Canadian National shifts much of its traffic to the EJ&E. The draft EIS does not address the regional or national economic impact of the proposed acquisition.

To better inform the public debate on this matter and provide economic information that can be useful to the STB in making its decision, Chicago Metropolis 2020 is conducting an analysis of the project's regional and national economic impacts. We have retained Economic Development Research Group and MIT Professor Carl Martland to assist us. When the analysis is completed this fall, we will submit it to the STB.

To meet the September 30th deadline for commenting on the EIS, we are providing preliminary information about some of the transportation impacts. It indicates that the new operating plan will reduce shipping costs and provide substantial benefits to CN, other railroads and their customers -- all of us who buy and use the goods they deliver. Based on these and other quantifiable impacts, we will estimate the impact on production, income, sales and jobs for the Chicago metropolitan region and the nation. At this point in our research, it appears that the impact will be positive and substantial.

Seven percent fewer trains on the IHB and BRC

Canadian National represents 7 percent of the rail freight traffic moving through the highly congested Chicago freight terminal. Between 15 and 20 CN trains per day now travel over the heavily used Indiana Harbor Belt and Belt Railway of Chicago. Moving those trains to the EJ&E will reduce congestion and delay on the IHB and BRC and enable more efficient movements by the other railroads on those lines, saving them over one hour per car per train.

More efficient use of equipment and yards

Improvements in equipment utilization and yard productivity have been estimated to reduce costs per car or intermodal shipment by \$30 to \$90 for each loaded or empty movement. For local customers, who have both an empty and a loaded move to or from their location in Chicago, the total savings would therefore be \$60 to \$180 per shipment.

Faster intermodal container shipments

CN will now be able to reach its Markham intermodal yard over the EJE from any of its lines. For the first time, CN will have a direct route to its intermodal yard from Canada, saving approximately 14 hours for each shipment by avoiding the congested routes through the center of the Chicago Terminal.

Consolidated yard operations

General freight trains would likely eventually be routed to or from Kirk Yard or East Joliet Yard, reducing the need for CN yard capacity within Chicago. All of this traffic would be moving around the EJ&E from one CN line to another, with savings of 14 hours from bypassing the center of the Chicago Terminal. In addition, a portion of this traffic currently requires two classifications to move through the terminal. Since most CN general traffic currently requires only one classification, we estimate that 20% more traffic would avoid a second classification, saving an average of 30 hours per car.

Simplified local train service

Local train service would be simplified in the new operating plan, as classification would be concentrated at two yards (East Joliet and Kirk) and local trains would operate in from the EJ&E rather than out from one of the yards in the congested center of the Chicago Terminal. CN has indicated that most traffic currently requires two classifications. We estimate 80% of local traffic would avoid a second classification, saving 30 hours per car.

Efficient interchange service with other railroads

Several other railroads operate on the EJ&E using trackage rights that will remain in effect. The traffic interchanged between BNSF/Union Pacific and the Illinois Central/GTW lines would be moved along the EJ&E rather than going through the center of the Chicago terminal, as would traffic interchanged between the Waukesha Subdivision from Canada, Wisconsin, and Minnesota and the IC/GTW lines. All of this traffic would save approximately 14 hours in train time and about 20% would save work at one or more yards.

No net change in grade crossing delays

When all grade crossing impacts are taken into account, there would likely be no overall increase in delays and possibly an overall decrease. The grade crossing analysis in the EIS did not consider the reduction in crossing delays that will occur on non-CN routes. For example, grade crossing delays on the BRC and IHB would decline when CN traffic is eliminated, and delays on the BNSF and UP would likely be reduced as they would logically route two trains each to Kirk yard over the EJ&E instead of winding through the Chicago interchange.

Less dependence on trucks on the road

Although CN did not predict any mode shifts resulting from the use of the EJ&E, we estimate that CN intermodal traffic would increase by 2 percent and almost 7 percent of general freight traffic could shift from trucks to rail because of the more efficient rail service. This would remove between 600 and 1,000 trucks per day from the region's roads, and add just over two trains per day to the EJ&E and increase delay by 5 percent at EJ&E crossings. Also, as Canada's new intermodal port at Prince Rupert expands to its full capacity, CN trains from there to Chicago could increase from two per day currently to about six per day. This would reduce the need for some long haul truck shipments that continue to be hindered by driver shortages.

Increased freight capacity is desperately needed

Shifting CN traffic to the EJ&E can play an important role in helping relieve freight congestion in Chicago. But it will not nearly solve the region's freight capacity problem. Freight volumes will continue increasing, led by intermodal that is expected to double over the next 20 years. When plans for the CREATE rail infrastructure program were developed, it was projected that failure to implement CREATE would lead to gridlock by 2015. If CN shifts its trains to the EJ&E, it will add freight capacity now and reduce the costs of CREATE by about \$200 million.

Increased funding for freight must be a priority

Residents of many communities in the region have legitimate concerns about the impact of increased traffic on the EJ&E. A good deal of that concern is based on the past failure of the federal government to meet its standard of providing 80 percent of the funds to complete needed grade crossing improvements. In addition, they know that the \$1.5 billion CREATE program is poorly funded and moving slowly – at the current pace it will take 30 years to complete CREATE program improvements that are needed now. Increased federal, state, local and railroad industry funding is vitally needed. Congress should create a robust national freight program funded by a fair and equitable freight fee, as recommended in recent congressionally sponsored transportation revenue reports.

Thank you for your consideration of these comments. On behalf of Chicago Metropolis 2020, I encourage the Surface Transportation Board to consider the overall transportation and economic impacts for the region and nation when deciding whether this proposal is consistent with the public interest. We look forward to providing you our completed report in the near future.

Respectfully submitted,



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